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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 OMB-01 CIAE-00 PM-07 INR-10

L-03 NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03

USIA-15 TRSE-00 SAJ-01 SS-20 NSC-10 ACDA-19 EB-11

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TO SECSTATE WASHDC PRIORITY 6077
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S E C R E T LONDON 14162

E.O. 11652: XGDS-1
TAGS: MARR, UK
SUBJECT: DEFENSE BUDGET UNDER PRESSURE

1. SUMMARY: FOR THE FIRST TIME SINCE TORIES TOOK OFFICE IN 1970, BRITAIN'S DEFENSE BUDGET APPEARS UNDER SOME PRESSURE. INFLATION, COMPETITION FROM NON-DEFENSE PROJECTS IN PRE-ELECTION PERIOD, SPIRIT OF DETENTE, AND DISATISFACTION OVER SEEMINGLY DISPROPORTIONATE BRITISH SHARE OF NATO COSTS APPEAR LIKELY TO COMBINE TO PRODUCE PRESSURE FOR SIGNIFICANT CUTS IN BRITAIN'S DEFENSE SPENDING OVER THE NEXT FEW YEARS. THE GOVERNMENT REMAINS STRONGLY SECURITY CONSCIOUS, BUT LIKELY WILL BE RETHINKING BRITAIN'S DEFENSE ROLE IN EUROPEAN TERMS, AND EXAMINING CLOSELY COMPARATIVE SPENDING LEVELS OF EEC MEMBERS. END SUMMARY

2. RECENT SOUNDINGS EMBOFFS HAVE TAKEN IN MOD AND FCO INDICATE THAT THE LEVEL OF BRITAIN'S DEFENSE BUDGET -- NEVER A SERIOUS POLITICAL ISSUE SINCE THE HEATH GOVERN-
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MENT TOOK OFFICE IN 1970 -- IS COMING UNDER INCREASING

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PRESSURE BOTH WITHIN AND WITHOUT WHITEHALL. INDEED, SENIOR DEFENSE OFFICIALS HAVE TOLD US THEY ARE WAGING AN UPHILL BATTLE AGAINST THE BUDGET CUTTERS THIS YEAR AND THAT THEY WILL BE EXTREMELY FORTUNATE TO RETAIN ROUGHLY THE SAME LEVEL OF EXPENDITURE IN FY 75 AS WAS FINALLY SET FOR FY 74. THIS WOULD MEAN ONLY ABOUT POUNDS 3.3 BILLION, EQUAL TO THE REVISED FY 74 LEVEL (CUT POUNDS 50 MILLION LAST MAY) AND VIRTUALLY THE SAME AMOUNT IN REAL TERMS AS THAT SPENT IN FY 73. LONGER TERM PROSPECTS ARE EVEN LESS BRIGHT.

3. RUMORS ABOUND TO THE EFFECT THAT DEFENSE SPENDING MAY BE CUT BACK SIGNIFICANTLY IN THE FUTURE. BRIGADIER THOMPSON, DEFENSE CORRESPONDENT FOR THE DAILY TELEGRAPH, REPORTED ON 23 NOV. THAT PUBLIC EXPENDITURE REDUCTIONS IN FY 1975 WERE EXPECTED TO INCLUDE A 65 MILLION POUND CUT FOR DEFENSE, WHICH MIGHT CAUSE WHITEHALL TO STRETCH OUT ITS NAVY PROCUREMENT PROGRAMS AND TO SLOW UP R&D FOR SEVERAL RAF PROJECTS. HE POINTED OUT THAT ANY CUT OF THIS MAGNITUDE WOULD BE EXTREMELY DIFFICULT WITHOUT REDUCING PERSONNEL STRENGTHS, FOR BRITAIN NOW SPENDS WELL OVER 50 PERCENT OF ITS DEFENSE BUDGET ON PERSONNEL AND HAS IN TRAIN A NUMBER OF COSTLY PROJECTS DESIGNED TO ATTRACT AND RETAIN THE HIGHLY SKILLED PERSONNEL NEEDED TO OPERATE MODERN DEFENSE EQUIPMENT.

4. EEC MEMBERSHIP, TALK OF DETENTE AND WIDE PRESS PLAY ABOUT US EFFORTS TO SHIFT SOME OF OUR DEFENSE BURDEN IN EUROPE TO OUR ALLIES HAVE GIVEN RISE TO A NUMBER OF QUESTIONS RARELY HEARD IN RECENT YEARS: WHY IS A POST-IMPERIAL BRITAIN STILL SPENDING SO MUCH ON DEFENSE? WHY DOES BRITAIN SPEND MORE THAN HER RICHER PARTNERS IN THE COMMON MARKET? IN A PERIOD OF DETENTE, CAN'T HMG REALLOCATE SCARCE RESOURCES FROM DEFENSE TO OTHER MORE PRESSING NEEDS? LABOR CLEARLY SEES DEFENSE SPENDING AS A POTENTIAL ISSUE FOR THE NEXT GENERAL ELECTION AND HAS CALLED FOR A BUDGET CUT OF A BILLION POUNDS (30 PERCENT) TO BRING BRITAIN'S SPENDING IN LINE WITH THAT OF ITS EEC PARTNERS.

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5. DEFENSE, LONG A TORY SACRED COW, THUS LOOKS MORE VULNERABLE TO BUDGET CUTS THAN HAS BEEN THE CASE IN RECENT YEARS. WHILE THE GOVERNMENT STILL IS BELIEVED TO FAVOR A STRONG AND ACTIVE NATIONAL SECURITY PROGRAM AND WILL BE RELUCTANT TO MAKE ANY BUT MINOR CUTS IN PREVIOUSLY APPROVED PROJECTS, ITS DEFENSE PROGRAMS ARE INCREASINGLY EUROPEAN ORIENTED AND PERCEIVED IN EUROPEAN TERMS. NEVERTHELESS, BRITAIN IS ONLY BEGINNING TO "FEEL

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ITS WAY" INTO EUROPE AND HAS NOT YET DETERMINED WHAT FORM OR LEVEL ITS EVOLVING SECURITY ROLE EVENTUALLY WILL TAKE. BRITISH DEFENSE POLICY IN 1973 CLEARLY REFLECTS THE END OF EMPIRE BUT IT STILL MUST COME TO TERMS WITH BRITAIN'S NEW ROLE IN A DEVELOPING AND RAPIDLY CHANGING EUROPE.

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